

RUSSIA AND THE WEST IN IRAN

Iranian diplomatic relations in 1921 till 1927, trade between the two countries was not regulated by any special convention. Profiting from the general exemption from the Soviet foreign trade monopoly, Iranian merchants traveled throughout Russia, transacted commercial deals with Soviet institutions or Russian individuals (this was possible in the period of the New Economic Policy), and participated actively in the fairs of Nizhni Novgorod and Baku, which were permitted to function at that time. The result of this liberalism was that Iran enjoyed a favorable balance of trade, mainly due to the export of raw materials and foodstuffs to exhausted and famished Russia.

Simultaneously protracted negotiations for the conclusion of a trade agreement were taking place. Two main difficulties prevented an early conclusion of the agreement. These were the Soviet demand for diplomatic immunities for their official trade organs in Iran and insistence on very low import duties on Russian oil products entering Iran. It may seem strange that Russian oil supplies should have been discussed at all, but we must not forget that, owing to the lack of properly developed communications in Iran, it was easier for the northern provinces to obtain oil from Baku than from Iranian sources in Khuzistan. While these negotiations were carried on, the deliberate Soviet policy of low tariffs on Iranian nonmanufactured goods was making Iran's Caspian provinces more and more dependent on the easily accessible Russian market. This was convenient for Iranian exporters, but it also was dangerous, for Iran, too much linked to Russia economically, might one day be forced to accept dictated solutions. According to the well-known

doctrine of Frederic
List, "a country exclusively agricultural, destined
to sell its raw
materials in order to obtain manufactured goods, is
bound to be in
a subordinated position." This adage proved to be
only too true in
the case of Iran. Insisting on the recognition of her
demands, Russia
put an embargo on Iranian imports to the Soviet Union
in 1926. This
step was catastrophic for Iran's Caspian provinces,
whose production
of fruit, rice, livestock, hides, and fish was dependent
upon sales in
Russia. The embargo was strict, and only in
exceptional cases did
the Soviet government accord import licenses to
Iranian merchants.
If such licenses were granted, they were used as a
political weapon
to obtain the services of individuals for the Soviet
cause, including,